

## Overview

### **Before Haley Barbour was elected Governor:**

- For three years straight, Mississippi had been rated the worst state in the country for lawsuit abuse.
- Over the previous four years Mississippi suffered a net loss of 38,300 jobs.
- Mississippi lost a higher percentage of our manufacturing jobs than any other state in the entire country. Mississippi suffered a net loss of 49,700 of our highest paying jobs – a 22% decline in manufacturing employment.
- The State's finances were in the worst mess at least since the Depression, with a \$720 million budget shortfall.
- The Legislature dipped into the “rainy day” fund to such an extent that the state effectively had no savings.
- Former Governor Musgrove had to cut agency budgets by 10 percent in the middle of a fiscal year.
- Along with the financial hole, state spending for our universities was 7% lower than four years earlier; state spending for our community colleges had been reduced even more – 16%. And spending for drug enforcement, at the time of a drug crime wave, had been cut 41%.
- Workforce training was not a state government priority. \$43 million of job training money available from the federal government went unspent because the state was not managing the workforce training programs properly.
- A lack of focus on regional economic development and a one-size-fits-all approach in our economic development incentives and programs.

The Governor believed we could do better. And we did. Many of you in the Legislature, Republicans and Democrats alike, worked hard, and we worked together to successfully tackle those problems and many more.

We have made up the \$720 million budget shortfall and ended FY 06 with a \$70 million surplus. All indications point to another surplus at the end of FY 07.

## **Realign Economic Development Programs**

- Haley formed Momentum Mississippi, a group of business, education, and government leaders from every area of the state dedicated to planning for long-term economic development.
- In a Special Session, the Legislature approved Momentum Mississippi's first set of recommendations, which realigned our economic development incentives to match the growth sectors of the economy and to provide incentives for higher paying jobs.

Not only are more people working, they are making more money. Incomes in Mississippi increased more than 10% the first two years; and both job creation and personal income have been going up at a faster rate this last year.

The Bureau of Labor Statistics reported that in December 2006 1,155,000 Mississippians were working, a net increase of more than 35,000 in Governor Barbour's first three years.

Personal incomes are up considerably, to record levels.

- For the first time in 75 years, Mississippi is not last in the country in per capita personal income.
- In 2004, personal income grew at the fastest rate since 1998 and it grew by another 4% in 2005.
- Haley and the Legislature enacted what the Wall Street Journal called the most comprehensive tort reform legislation in the country.
- After tort reform, liability rates went down, automobile insurance rates went down, homeowner's and other property insurance rates went down, and more than 50 new insurance programs entered our state. Tort reform created more competition, more affordable insurance, and created jobs by reducing unnecessary costs for small businesses.
- Doctors have quit leaving the State. The health care crisis caused by lawsuit abuse is over.

## **FY 2008 Budget Proposal**

Governor Haley Barbour has proposed a fiscal year 2008 budget that boosts funding for education and health, increases support for vulnerable children and the fight against illegal narcotics, and begins to rebuild the state's financial reserves – all without a tax increase.

The Governor's balanced budget proposal funds the operations of state agencies at about \$5.4 billion, an increase of more than 7 percent over Fiscal Year 2007.

The most important things for our State's financial well-being are for us to abide by the law that says only 98% of General Fund revenue can be appropriated and that the 2% set aside goes into the Rainy Day Fund until it is built up to the amount set by law, roughly \$350 million.

You won't be able to spend as much as might be popular. . . or as will be requested; but in these times of financial uncertainty, and especially since you have no budget blueprint to gauge by . . . following the 2% set aside and protecting the Rainy Day Fund are more critical than ever.

## **Education**

State support for education is up substantially compared to three years ago, and will increase again.

Education, our highest priority, has been funded at record levels.

- In the upcoming 2006-2007 school year, per student spending in our public schools will be approximately \$7800, a 22% increase during the Barbour Administration. Since Haley has been Governor, state support for our K-12 school districts through the Mississippi Adequate Education Program has increased \$323 million, or 19%.
- Under Governor Barbour's leadership, the Legislature restored the funding cuts our universities and communities suffered during the Musgrove Administration. Support for Community Colleges has increased \$50 million, or 29%, including a doubling of state support for workforce training. Support for universities has increased \$93 million, or 16%.

Since this legislature first met three years ago, . . .state appropriations for K-12 education have increased 19%. The State is spending \$323 million more on K-12 education this year than it spent just three years ago.

Under Governor Barbour's budget, K-12 would receive an increase of more than \$480 million during this administration. This will be the largest four year increase in K-12 spending under any governor in state history.

Our school teachers have received two consecutive eight percent pay raises, and now teachers make an average of about \$43,000 a year. And everyone seems to agree, teachers pay will go up another three percent next year.

We spend more than \$4 billion a year . . . federal, state and local . . . to educate our almost 500,000 K-12 students. . . about \$8,000 per student.

Unlike in the last administration we have not cut spending on higher education to fund K-12.

Education is the number one economic development issue in Mississippi and in every other state; and it is our number one quality of life issue, too. That is why it is our top priority and why it receives 62% of the budget.

And, because the State Department of Education has determined it will require a substantially smaller increase than previously estimated. . . I am confident that in March, the Legislature will send the Governor and he will sign an appropriation that fully funds the MAEP formula for next year. I expect that formula to be funded consistently at 100% in the years to come.

And, importantly, the reduction in the MAEP funding formula means it will be easier to fund other key K-12 programs, such as a three per cent teacher pay raise and the implementation of Superintendent Bounds' drop out prevention and high school redesign program, which the Legislature authorized in passing the Upgrade Education reform package last year.

Our record funding of education is important, but the true test of our commitment to education is not how much we spend; it is the results we demand and achieve for our students. The taxpayers rightly expect us to get their money's worth for what we spend.

### Community Colleges

Governor Barbour's budget provides \$221,029,260 for the community college system, in addition to the more than \$30 million of workforce training dollars derived from the Workforce Training Enhancement Fund. This would be a \$23,341,303 increase over FY 07, or 11.8 percent. Since FY 04, when Governor Barbour took office, community colleges will have received an increase of \$48 million (27.8 percent) in addition to a doubling of their workforce training budgets.

### Universities

The Fiscal Year 2008 Executive Budget Recommendation includes \$755,171,461 for universities. This would be a \$73.6 million increase over FY 07, or 10.74 percent. Under this budget, universities will have received an increase of \$166 million since Governor Barbour came into office in FY 04, an increase of 28.3 percent.

## **Katrina**

Shortly after Hurricane Katrina hit, Governor Barbour announced the formation of the Governor's Commission on Recovery, Rebuilding and Renewal to develop a broad vision for a better Gulf Coast and South Mississippi. The Governor's Commission focused on giving local leaders access to ideas and information that will help them decide what their region will look like five, ten, even twenty or thirty years from now.

The commission's functions continue as the Governor's Office of Recovery and Renewal.

More than \$24 billion of federal grant money has already been allocated in Mississippi; plus another \$3 billion in loans.

FEMA has provided \$9.4 billion in assistance to individuals and local governments, including the removal and disposal of 45 million cubic yards of debris, and in record time; provision of temporary housing for more than 38,000 families, about three-fourths of whom are still in temporary housing; and the rebuilding of public infrastructure has begun.

Mississippi has been allocated nearly \$5.5 billion in Community Development Block Grant money; the Bush Administration has allowed us great discretion in how to use it.

We have earmarked more than \$3 billion for housing for people outside the flood zone, for low and moderate income homeowners and for public housing and other affordable rental housing.

More than 11,000 Mississippi families have received grant checks through a program the State of Mississippi designed . . . a program that has never been attempted anywhere before.

Some \$630 million is going to build water and sewer in growth areas in five of the lower six counties, so families and businesses can rebuild in safer, more affordable places and in an environmentally sensitive way.

Nearly \$450 million is dedicated to ratepayer mitigation . . . to prevent dramatic increases in electricity rates and property insurance for homeowners and for businesses.

The Governor has asked HUD Secretary Alphonso Jackson approval for us to use \$30 million of this money to reduce the increase in commercial property insurance by the Mississippi Windpool Association . . . to cut a huge proposed premium increase in half.

One-half billion of this money will go to economic development in the entire forty-nine county Go Zone area. Of this, \$150 million will go to community revitalization projects in the coastal communities plus another \$15 million for planning, permitting and inspecting.

Separate and above this CDBG money, MDOT has received \$1.1 billion in federal funds to repair and rebuild state and federal highways and bridges, including the Biloxi Bay and Bay of St. Louis bridges.

The State Department of Education received \$330 million to reopen and help operate our K-12 schools, and Mississippi higher education received \$95 million to help our universities and community colleges.

All these were grants of federal money, as was \$58 million to support state and local law enforcement, \$128 million for social services grants, \$74 million from the Labor Department for temporary employment and job training. The Department of Mental Health received \$25 million in the wake of the storm, while USDA gave Mississippians an extra \$134 million in food stamps as emergency assistance.

Our health care providers have received \$73 million as reimbursement for care they provided free to disaster victims; the University of Mississippi Medical Center received \$20 million to help pay for such uncompensated care.

Important from the state budget point-of-view, the State has received some \$517 million as part of an emergency health care package. We've used this money to help support Medicaid and to pay our share of disaster assistance.

Shipbuilders in Mississippi have received nearly \$2 billion for emergency measures and repairs because of the storm, and the federal government has appropriated more than a billion dollars for rebuilding military and veterans facilities in the state.

It is a mind boggling array of numbers, like nothing ever seen before, and it doesn't even include our request for \$7.5 to \$10 billion for environmental restoration and hurricane hazard mitigation on the Coast.

The Legislature has played an important role. You and I have worked together to not only set aside money to pay the state's share of the rebuilding costs, but to provide direct cash aid to struggling coastal governments; cut taxes on modular homes; and provided interest-free loans to small businesses. These are but a few of the many steps this Legislature has taken.

The Governor has asked the Legislature to act to stabilize the state's insurance market with respect to the state-sponsored wind pool. While this issue is felt most on the Coast, it is a statewide issue. In fact, it is a national issue. The commercial insurance rates in Florida's wind pool have increased 1100%! There are steps this Legislature can take to strengthen the wind pool.

Katrina-driven growth affects all South Mississippi. There is a labor shortage on the Coast and in some counties farther north. Hattiesburg and Laurel were growing before the storm, and the reconstruction plus the building of a more than \$1 billion Strategic Petroleum Reserve facility near Richton will fuel more job growth.

- According to the independent demographic research firm Claritas, the population of the six coastal Mississippi counties is currently 98% of the pre-Katrina population.
- Nearly 80,000 children were out of school in Mississippi immediately after the storm. By October 10, six weeks after Katrina, all but one school district was back open, and that district opened November 6, when its portable classrooms arrived. Mississippi K-12 schools on the Coast are operating at nearly 90% of pre-Katrina enrollment.
- Temporary housing after a disaster has never been installed as fast or on such a large scale as it has been in Mississippi after Hurricane Katrina which has made it possible for Mississippians to stay near their homes, schools, and workplaces. Today, more than 38,000 units of temporary housing are occupied by more than 100,000 Mississippians.
- According to the Bureau of Labor Statistics, non-farm employment in Mississippi eclipsed the pre-Katrina level in February 2006, and employment levels continue to rise.
- Nearly 3,500 businesses and 20,000 homeowners in Mississippi have been approved for \$1.9 billion in SBA loans and FEMA has approved more than \$450 million in assistance for individuals.
- More than \$10 billion of insurance payments have been paid statewide.



## **Law Enforcement**

Highway Patrol and other state law enforcement have received the biggest pay raises in history to get them on a level with our neighboring states. Two Trooper schools in one year. . . one paid for with federal funds after Katrina . . . have added 92 new highway patrolmen to the force. A third Trooper school in the next fiscal year to get us back closer to the authorized number of troopers.

This year the Governor has asked legislators to: Pass laws that lengthen the mandatory prison sentence for committing a felony with a gun, and to lengthen the prison sentence for a felon possessing a gun. These changes will give prosecutors better tools to punish criminals who use guns to commit crimes, and they will not violate the constitutional rights of law-abiding citizens to keep and bear arms.

- The Legislature approved Governor Barbour's plan to reorganize the Bureau of Narcotics within the Department of Public Safety to better coordinate state law enforcement efforts and to better support local law enforcement. In the first year, drug arrests by the new Department of Public Safety increased 73%.
- Governor Barbour proposed and signed laws to give prosecutors and law enforcement new tools in the fight against crystal meth and other drugs and to protect our kids from sexual predators. Basic ingredients for crystal meth now have to be kept behind the pharmacist's counter and anyone who puts a child in an area where drugs are manufacture or sold can now be charged with a felony.
- Sex offenders now have to re-register face-to-face every 90 days. This has helped Mississippi have one of the lowest non-compliance rates in the country for sex offenders.
- Governor Barbour signed into law the largest pay raise for state troopers in Highway Patrol history.
- There is no reason taxpayers should have to pay first-class hotel rates when we incarcerate dangerous criminals. Under Governor Barbour's leadership, the Department of Corrections has streamlined its workforce; shut down inefficient, out-of-date units at Parchman; reopened the private prison in Greenwood; and maximized the use of county-owned regional jails. These reforms have saved taxpayers millions of dollars.

## Health Care

- A constitutional and comprehensive approach for anti-tobacco and anti-drug efforts.

The budget uses the \$20 million that previously had been unconstitutionally diverted away from the state treasury to fund Governor Barbour's "Healthy Kids" initiative. This program doubles the number of tobacco school nurses in public schools (\$5.1 million); sets aside nearly \$5 million for anti-tobacco advertising; dedicates \$5 million to the University of Mississippi Medical Center Cancer Institute; and dramatically increases the number of state narcotic agents (\$5 million) to fight the scourge of illegal drugs.

- Fighting Drugs

The budget funds a Mississippi Highway Patrol training school for the third consecutive year. By adding 50 new trained and equipped highway patrol to our force, our state will be safer. There is no greater health threat to Mississippi's children than illegal narcotics and drug crime. An additional \$5 million for the Bureau of Narcotics will increase the state's support for the fight against drugs and provide 50 percent more narcotics agents to investigate and arrest the drug dealers who prey on our children.

- Protecting Our Most Vulnerable Children

In the 2006 session, Governor Barbour worked with the Legislature to enact significant reforms to the state's foster care system, as recommended by the Executive Director of the Department of Human Services. This budget includes an increase of \$16.5 million for the Division of Family and Children Services within the Department of Human Services to hire 108 additional direct service workers and provide increased financial support to families who provide homes to kids in our foster care system.

- Working together, the Legislature and Governor Barbour got control of state spending by reforming programs such as Medicaid and the prison system. In the current fiscal year (FY 06), state spending will grow by less than 1% while state revenues increase by more than 10%.
- There was a health care crisis in Mississippi and it was caused by lawsuit abuse. Frivolous lawsuits increased the cost of health care and caused doctors to leave the state and hospitals to lose insurance. Obstetric wards were closing and neurosurgeons had stopped performing emergency surgery.
- The cost of Medicaid, the program through which taxpayers provide health care for more than 20% of all Mississippians, had nearly doubled. The unsustainable increases in the cost of Medicaid threatened the solvency of the program upon which so many rely and was sucking money away from other priorities such as education and law enforcement.

- It is wrong for a family to work hard at two or three jobs to raise their kids and pay for healthcare, and then have to turn around and pay extra taxes so others who are able to work and take care of themselves instead choose not to but get free healthcare at taxpayers expense.
- Under Governor Barbour, Medicaid is now checking people's eligibility face-to-face. Since Governor Barbour took office, the Medicaid rolls have decreased to less than 600,000 and Medicaid is spending less money this year than last year.
- Under Governor Barbour, Medicaid has changed its prescription drug program to better utilize generic drugs instead of more expensive brand name drugs. When Haley took office, 45% of the drugs prescribed by Medicaid were generic; now 58% of the drugs prescribed are generic. In the last year, the cost of prescription drugs in the Medicaid program has dropped 32%, saving taxpayers millions of dollars.
- If health problems are detected early, it is easier for them to be treated. Under Governor Barbour, Medicaid is offering a free annual physical examination to every Medicaid beneficiary to check them for diabetes, high blood pressure, and to make sure they're taking the right medications.
- To improve health care for more than 100,000 state employees, state retirees, and their families, the state employee insurance plan is now providing 100% pre-deductible coverage up to \$250 for wellness/preventive services